

## Message Text

UNCLASSIFIED

PAGE 01 QUITO 07262 301600Z

15

ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15

SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01

XMB-04 OPIC-06 LAB-04 SIL-01 /120 W

----- 051928

R 301235Z SEP 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 7443

INFO AMCONSUL GUAYAQUIL

UNCLAS QUITO 7262

E.O. 11652: N/A

TAGS: EFIN, ENRG, EC

SUBJECT: BALANCE OF PAYMENTS, JANUARY-JUNE 1975

REF: STATE 199613

1. EMBASSY BALANCE OF PAYMENTS ESTIMATES FOR FIRST SEMESTER OF 1975 FOLLOW. METHODOLOGY AND ASSUMPTIONS ARE OUTLINED IN FOOTNOTES. ECUADOR'S FOREIGN RESERVES DROPPED \$125 MILLION IN THE FIRST SEMESTER, FROM DECEMBER 31 LEVEL OF \$338 MILLION TO \$213 MILLION JUNE 30. DROP IN PETROLEUM EXPORTS ACCOUNTS FOR SUBSTANTIAL DECREASE IN FOREIGN RESERVES AS IMPORTS CONTINUED TO MOUNT AT INCREASING RATE. USE AND LOCATION OF FOREIGN RESERVES IS UNKNOWN. PROJECTIONS FOR SECOND HALF OF 1975 WILL FOLLOW SEPTEL REFLECTING OPEC PRICE CHANGES. RESERVES, HOWEVER, CONTINUED TO FALL UNTIL LATE AUGUST, WHEN TEXACO-GULF RESUMED LIFTINGS AT 215,000 BARRELS DAILY. FOREIGN RESERVE POSITION SHOULD RECOUP SOMEWHAT DURING SECOND HALF DUE TO INCREASED PETROLEUM EXPORTS AND A SLIGHT DECLINE IN IMPORTS DUE TO RECENTLY IMPOSED IMPORT RESTRICTIONS.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 QUITO 07262 301600Z

2. BALANCE OF PAYMENTS: JANUARY-JUNE, 1975

(IN MILLIONS OF U.S. DOLLARS)

DATA AS ADJUSTED OR  
GOE DATA      ESTIMATED BY EMBASSY

|  |            |            |     |
|--|------------|------------|-----|
| EXPORTS - TOTAL                        | \$373,000  | \$338,000  | (1) |
| --PETROLEUM                            | \$212,000  | \$177,000  |     |
| --BANANAS                              | \$ 68,000  | \$ 68,000  |     |
| --COCOA & COCOA                        | \$ 41,000  | \$ 41,000  |     |
| PRODUCTS                               |            |            |     |
| --COFFEE                               | \$ 13,000  | \$ 13,000  |     |
| --SEAFOOD                              | \$ 16,000  | \$ 16,000  |     |
| --OTHER                                | \$ 23,000  | \$ 23,000  |     |
| IMPORTS - TOTAL                        | -\$434,000 | -\$470,000 | (2) |
| --CAPITAL GOODS &                      | \$384,000  | \$384,000  |     |
| RAW MATERIALS                          |            |            |     |
| --OTHER                                | \$ 50,000  | \$ 50,000  |     |
| --PUBLIC SECTOR &                      | N/A        | \$ 36,000  |     |
| MISCELLANEOUS                          |            |            |     |
| TRADE BALANCE                          | -\$ 61,000 | -\$132,000 |     |
| SERVICES                               | N/A        | -\$ 18,000 | (3) |
| TRANSFERS                              | N/A        | \$ 20,000  |     |
| CURRENT ACCOUNT                        | N/A        | -\$130,000 |     |
| LONG-TERM CAPITAL                      | N/A        | \$ 10,000  | (4) |
| --AMORTIZATION OF                      | N/A        | -\$ 7,000  |     |
| TEXACO-GULF INVESTMENT                 |            |            |     |
| --NEW MULTILATERAL                     | N/A        | \$ 10,000  |     |
| LENDING                                |            |            |     |
| --DISBURSEMENTS DUE                    | N/A        | \$ 12,000  |     |
| --NEW INVESTMENT                       | N/A        | \$ 8,000   |     |
| --AMORTIZATION                         | N/A        | -\$22,000  |     |
| BALANCE ON CURRENT ACCOUNT & LONG-TERM |            | -\$120,000 |     |
| CAPITAL                                |            |            |     |
| SHORT-TERM CAPITAL, ERRORS & OMISSIONS |            | -\$ 5,000  |     |
| BALANCE                                |            | -\$125,000 |     |
| CHANGE IN FOREIGN RESERVES             |            | -\$125,000 |     |

## 3. FOOTNOTES:

LUQG EXPORTS: PETROLEUM EXPORTS UNTIL MAY 12, 1974 WERE VALUED AT REFERENCE PRICE OR SALES PRICE, WHICHEVER WAS UNCLASSIFIED

UNCLASSIFIED

PAGE 03 QUITO 07262 301600Z

HIGHER. THAT IS, TEXACO-GULF WAS REQUIRED TO DEPOSIT IN FOREIGN EXCHANGE 13.90 FOR EVERY BARREL EXPORTED; THIS REFERENCE PRICE WAS CONSISTENTLY HIGHER THAN SALES PRICE FOR THE FIRST HALF OF 1975. ON MAY 12, THE GOVERNMENT AUTHORIZED TEXACO-GULF TO DEPOSIT 11.60 PER BARREL OR SALES PRICE, WHICHEVER IS HIGHER. CEPE IS REQUIRED TO DEPOSIT FOREIGN EXCHANGE AT SALES PRICE. THE OVERSTATING OF PETROLEUM EXPORT FIGURES HAS BIASED ESTIMATES OF CURRENT ACCOUNT

AND EXPGJINS SOME OF THE MISSING RESERVE FIGURES. OUR ADJUSTMENT TREATS AS A REFUND OF EXPORT PRICE THE DIFFERENCE BETWEEN THE OVER-VALUED \$13.90 PRICE AND THE ACTUAL VALUE AS DETERMINED BY THE CENTRAL BANK/MINISTRY RECONCILIATION PROCESS. FOLLOWING IS OUR METHODOLOGY:

(A) ASSUME DEPOSIT OF 13.90 (REFERENCE PRICE) THROUGH APRIL 30.

(B) ASSUME CEPE OWNS 25 PERCENT OF EXPORTED OIL AND IS REMOVED FROM THE CALCULATION, SINCE CEPE DEPOSITS EARNINGS AT ACTUAL SALES PRICE. TEXACO-GULF EXPORTED 13,625,494 BARRELS DURING THE FIRST HALF OF THE YEAR.

(C) ASSUME DEPOSIT OF 11.60 PER EXPORT BARREL FROM MAY 1, 1975. EMBASSY HAS ESTIMATED EXCESS OVER THE 10.66 GOVERNMENT TAKE AND SUBTRACTED COSTS (A SERVICE OUTFLOW), AMORTIZATION AND DEPRECIATION OF TEXACO-GULF INVESTMENT (LONG-TERM CAPITAL OUTFLOW) FROM BASIC EXPORT FIGURE: (13,625,494) (2.55 OVER-CHARGE) - 34,745,0.9

(13,625,494) (.69 COST & AMORTIZATION) - \$9,401,590

2) IMPORTS: EMBASSY ADJUSTMENT OF IMPORTS INCLUDES ESTIMATE OF NON-LICENSE IMPORTS BY PUBLIC SECTOR AND OTHER MINOR IMPORTS FINANCED BY EXTERNAL CAPITAL. UN/CEPAL BALANCE OF PAYMENTS ESTIMATES, WHICH ARE WIDELY CIRCULATED, USE IMPORT LICENSES ISSUED; THIS SERIES IS PERHAPS A GOOD PRE-DICTOR OF IMPORTERS' INTENTIONS, BUT THE LIQUIDATION SERIES IS APPROPRIATE FOR EX POST BALANCE OF PAYMENTS ANALYSIS IN THAT IT REPRYIENTS ACTUAL PAYMENTS.

3) SERVICES: PAYMENTS FOR SERVICES INCLUDE APPROXIMATELY \$2 MILLION NET COSTS FOR PRODUCTION (43 CENTS PER BARREL) AND PIPELINE CHARGES (26 CENTS PER BARREL) PLUS CEPE'S PAYMENTS TO TEXACO-GULF FOR SHARE OF OPERATING EXPENSES. SERVICE PAYMENTS DIFFER FROM IMF ESTIMATES SUBMITTED IN QUITO A-29 BECAUSE OF SUBSTANTIAL PETROLEUM OVERCHARGE SUBTRACTED FROM SERVICE ACCOUNT RATHER THAN ORIGINAL UNCLASSIFIED

UNCLASSIFIED

PAGE 04 QUITO 07262 301600Z

IMPORT FIGURE.

4) LONG-TERM CAPITAL: ESTIMATE FOR LONG-TERM CAPITAL INCLUDES AN OUTFLOW OF APPROXIMATELY \$7.2 MILLION ON AMORTIZATION OF TEXACO-GULF INVESTMENT. BECAUSE AMORTIZATION IS CALCULATED AT A PER BARREL RATE BY TEXACO-GULF, THIS CHARGE IS A MERE 4.2 PERCENT OF HE BASE. AMORTIZATION IS INCLUDED IN TEXACO-GULF'S COST FIGURE OF 69 CENTS A BARREL. EMBASSY ESTIMATES MULTILATERAL LENDING AT \$10 MILLION FOR FIRST HALF OF 1975 AND NEW FOREIGN INVESTMENT AT \$8 MILLION. AMORTIZATION OF LONG-TERM DEBT FROM THE EARLY SIXTIES ESTIMATED AT \$22,000 (BASED ON IBRD PUBLISHED DEBT SCHEDULE FROM 1972). LIKEWISE DISBURSEMENTS DUE FROM OLD LOANS DUE IN FIRST HALF OF 1975 ARE \$12 MILLION (IBRD ESTIMATES). BREWSTER

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, BALANCE OF PAYMENTS, ECONOMIC DATA, EXPORT DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 30 SEP 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975QUITO07262  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750339-0168  
**From:** QUITO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t1975091/aaaaaahp.tel  
**Line Count:** 168  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 199613  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** RowellE0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 JUN 2003 by MaustMC>; APPROVED <18 FEB 2004 by RowellE0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** BALANCE OF PAYMENTS, JANUARY-JUNE 1975  
**TAGS:** EFIN, ENRG, EC  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006